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Editor
Joan C. Courtless

Editorial Assistant
Jane W. Fleming

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Suggestions or comments concerning this publication should be addressed to: Joan C. Courtless, Editor, *Family Economics Review*, Family Economics Research Group, USDA/ARS, Federal Building, Room 439A, Hyattsville, MD 20782. Phone (301) 436-8461.

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Expenditures of Younger and Older Baby Boomers

By Julia M. Dinkins
Consumer Economist
Family Economics Research Group

The 1990 Consumer Expenditure Survey was used to examine expenditures and selected socioeconomic and demographic characteristics of two age groups of baby boomers (also referred to as boomers)—ages 26-35 and 36-44. When compared to younger baby boomers, older baby boomers were more likely to be married and in managerial and technical occupations. Older baby boomers were more likely than younger boomers to have children, have more members in the household, have a before-tax family income of $30,000 or more, and be homeowners. On average, older baby boomers spent more overall (by household and on a per person basis) than younger baby boomers. The percentage of total expenditure used by younger boomers for different goods and services was similar to that used by older boomers. As baby boomers develop ways to reconcile the demands of this life-cycle stage with their resources, they may seek professional assistance. This study provides useful information to family life specialists, housing educators, and financial counselors as they assist baby boomers who are in the mature single, newly married, and full nest stages of the life cycle.

The baby-boom generation, those born in 1946-64, is a diverse age group. Previous reports have treated this cohort as a monolith; however, researchers have recognized that such treatment may mask differences that have implications for present and future well-being among the different segments of this large group. Bouvier and De Vita concluded, "While there may be some commonalities that bind the members of the baby-boom generation into a cohesive unit, the diversity that exists *within* the baby-boom generation is becoming increasingly apparent as its members head into middle age" (p. 14) *(1)*.

Some researchers found that financial well-being and savings patterns differed among subgroups of boomers *(2,3)*. Others reported that boomers with higher median incomes were more likely to be older, male, white, and married without children *(1)*. Russell, however, notes that parenthood and a faster rise in median income for younger boomers than older boomers may minimize some differences in the cohort during most of the 1990's. "But by the late 1990's, the gap will open up again as the children of older baby boomers leave home and the generation's leading edge [born 1946-54] enters its empty nest years" (p. 27) *(8)*.

As U.S. baby boomers enter middle age, they will spend money to meet responsibilities they may not have had 10 years earlier. In 1980, boomers were 16-34 years old. From 1980 to 1990, the younger members (born 1955-64) had time to complete their formal education and enter the labor force. The older members (born 1946-54) made decisions about marriage, parenthood, and establishing new households. Saunders *(9)* predicted that baby boomers were among the groups that would influence consumer expenditure patterns for the rest of the century. He suggested their expenditures would shift from household furnishings and equipment to consumer electronics, sporting goods, jewelry, books, boats, aircraft, and optical goods. Waldrop characterized baby boomers' expenditures this way: "The baby boom's 45th birthday may prove to be as momentous as its first. It will begin a population explosion among affluent, maturing householders. And it will turn the 1990s into peak years of consumer spending" (p. 24) *(13)*.

Because the baby-boom generation spans about 20 years, some of its members are at distinctly different stages of the life cycle and have expenditures that reflect concomitant roles and responsibilities. This study describes baby boomers as they begin to enter middle age and their peak earning years. Two questions are addressed: (1) For boomers born between 1946 and 1954 and between 1955 and 1964, what is each group's total mean expenditure and what percentage of the total mean expenditure is used for housing, food, transportation, apparel, and other goods and services? (2) What is being spent by younger and older baby boomers for each category of goods and services?

Data and Sample

Data for this study are from the interview component of the 1990 Consumer Expenditure Survey (CE), conducted by the Bureau of the Census for the Bureau of Labor Statistics. The CE is an ongoing survey that collects data on household expenditures, income, and major socioeconomic and demographic characteristics. A national sample of consumer units[1] is interviewed once each quarter for five consecutive quarters; the first interview is used only for bounding purposes. Using a rotating sample design, about one-fifth of the sample is replaced each quarter. The 1990 CE, with a response rate of 86 percent, contains information from about 20,000 interviews. Income data are annual and quarterly expenditure data are multiplied by four to provide estimates of annual expenditures. Data are weighted to represent the U.S. noninstitutionalized population.

Over half of all reference persons[2] belonged to the baby-boom generation. Twenty-eight percent were 26-35 years old and 24 percent were 36-44 years old (table 1, p. 3).

The percentage of total expenditure used by younger boomers for different goods and services was similar to that used by older boomers.

[1]A consumer unit consists of either: (1) all members of a particular household who are related by blood, marriage, adoption, or other legal arrangement; (2) two or more people living together who pool their incomes to make joint expenditure decisions; or (3) a person living alone or sharing a household with others or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent. To be considered financially independent, at least two of the three major expense categories (housing, food, and other living expenses) have to be provided by the respondent.

[2]Reference person is the first family member mentioned by the survey respondent when asked to "start with the name of the person or one of the persons who owns or rents the home." The relationship of all other consumer unit members is determined by this person. The reference person may be the respondent.

Baby Boomers and Their Households

Baby-boomer households were more likely than others to have a male reference person (table 1). Their reference persons also were more likely to have 4 or more years of college than those in older or younger households.

Households with a baby-boomer reference person were more likely than others to be composed of a husband, wife, and children (table 2). Hence, these households were more likely to have three or more family members than those with older or younger reference persons. Also, a higher percentage of baby-boomer households had before-tax family income in excess of $30,000, compared with older or younger households.

Younger baby boomers (ages 26-35 years), as compared with older baby boomers (ages 36-44 years), were more likely to be never married, living in one- or two-person households, and renting. Younger baby boomers' housing tenure reflects the relationship between age of the householder and the ability to purchase a home. Fifty-three percent were renters. Fronskez and Savage *(5)* say three factors influence individuals' and families' ability to own a home: (1) not having enough cash for a downpayment or closing costs; (2) not having the income to make the monthly mortgage payments; or (3) having a high debt load. These factors may keep baby boomers from purchasing a home during the earlier stages of the life cycle.

Table 1. Characteristics of reference persons, 1990

Characteristic	Age categories: Less than 26 years	26 - 35 years	36 - 44 years	45 - 65 years
Total (in thousands)	9,127	21,717	19,035	28,329
	Percent			
Race				
Non-Black	88	88	87	88
Black	12	12	13	12
Sex				
Male	54	70	71	68
Female	46	30	29	32
Education (years)				
Less than high school (0-11)	20	13	12	26
High school (12)	24	33	30	32
Some college (13-15)	41	27	26	19
College (16+)	15	27	32	23
Marital status				
Married	29	59	64	64
Widowed	–	–	2	10
Divorced or separated	5	16	23	20
Never married	66	25	11	6
Occupation				
Managerial and technical[1]	48	49	54	42
Other	41	44	40	38
Retired and not working	11	7	6	20

[1]Includes managerial, professional, technical, sales, and administrative support occupations.
– Less than 1 percent.

In contrast, older baby boomers were more likely than younger baby boomers to have 4 or more years of education, be married or divorced, and be employed in managerial and technical occupations. Also, older boomers were more likely to have children, live in a household with four or more members, and have before-tax family income of $40,000 or more. Older boomers were more likely than younger boomers to live in rural areas.

Expenditures of Reference Persons

Younger Baby Boomers. The 26-35 age group had a total mean expenditure of $26,831 (table 3, p. 6). Typically, housing is the largest expenditure for most families and individuals *(4,6,10,11)*. However, for some families, transportation is the largest expenditure item. Lino and Ray *(7)* found that husband/wife families with both spouses 18-25 years old spent 31 percent of their total expenditure for transportation compared with 28 percent for housing.

For younger boomers, total housing was $9,123, that is, 34 percent of their total annual expenditure. Shelter is a major component of housing expenditures. In the CE, shelter consists of mortgage interest, taxes, insurance, maintenance and repair, and homeowner association fees for owners; and rent and tenant insurance for renters. Reported shelter expenditures for owners do *not include payment on the principal*. The CE considers reduction of mortgage principal to be repayment of a loan obtained before the interview quarter (*12*).

Younger boomers used 22 percent of their total expenditure for shelter ($5,832). As a percentage of total housing expenditures, 64 percent was used for shelter, 19 percent for utilities, 7 percent for household operations, and 10 percent for household furnishings and equipment.

Transportation accounted for 19 percent of younger boomers' total average expenditure for 1990 ($5,309). Younger boomers spent 45 percent of their transportation dollar on vehicle purchases.[3] They had, on average, 1.9 vehicles.[4]

The annual expenditure for younger boomers' total food was $4,185 (16 percent of the total expenditure). Food at home—food purchased at grocery stores, food stores, and food prepared when on trips away from home—accounted for three-fourths of their food dollar.

Eleven percent of the younger boomers' total expenditure was used for total personal insurance and pensions ($2,903), with most of it (92 percent) attributed to pensions and Social Security ($2,663). On average, younger boomers spent 5 percent of their total expenditure for entertainment ($1,416) and apparel ($1,330) and 4 percent for health care ($956).

[3]Vehicle purchases refers to net outlay; that is, the purchase price minus trade-in value.
[4]Vehicles consist of new and used cars, trucks, and motorcycles, as well as used aircraft.

Table 2. Characteristics of households by age of reference persons, 1990

Characteristic	Age categories: Less than 26 years	26 - 35 years	36 - 44 years	45 - 65 years
Total (in thousands)	9,127	21,717	19,035	28,329
	Percent			
Family type				
Husband, wife only	13	13	9	29
Husband, wife, children	13	42	49	27
Other families	14	11	14	21
Single parents	9	11	11	2
One person	51	23	17	21
Number of members in consumer unit				
One	51	23	17	21
Two	25	22	19	38
Three	14	20	19	19
Four or more	10	35	45	22
Composition of earners				
Reference person	57	41	35	29
Reference person and spouse	22	41	32	22
Reference person, or spouse, and others	14	13	30	37
No earners	7	5	3	12
Before-tax family income				
Less than $10,000	39	10	9	12
$10,000 - $19,999	22	16	12	15
$20,000 - $29,999	14	19	14	14
$30,000 - $39,999	8	16	13	10
$40,000 and more	6	26	37	31
Incomplete income	11	13	15	18
Housing tenure				
Homeowner	11	47	68	78
Renter	89	53	32	22
Area of residence				
Urban				
Northeast	19	17	18	20
Midwest	26	22	18	20
South	26	29	28	28
West	20	21	20	17
Rural	9	11	16	15

[1]For this variable, only those with complete positive income are used. There were 8.1 million reference persons less than 26 years old, 18.9 million 26-35 years old, 16.2 million 36-44 years old, and 23.2 million 45-65 years old.

Table 3. Means and component shares of total annual expenditures by age of reference persons, 1990

Expenditure categories	Less than 26 years		26 - 35 years		36 - 44 years		45 - 65 years	
	Age categories							
Total (in thousands)	9,127		21,717		19,035		28,329	
Total mean expenditure	$16,545		$26,831		$32,929		$30,382	
Mean family size	1.89		2.88		3.26		2.60	
	Mean	*Percent*	*Mean*	*Percent*	*Mean*	*Percent*	*Mean*	*Percent*
Housing	$5,011	30	$9,123	34	$10,512	32	$9,028	30
Shelter	3,219	19	5,832	22	6,486	20	5,215	17
Utilities	990	6	1,744	6	2,170	7	2,258	7
Household operations	176	1	595	2	599	2	345	1
Furnishings and equipment	626	4	952	4	1,257	4	1,210	4
Transportation	3,740	23	5,309	19	6,125	19	5,965	20
Food	2,739	17	4,185	16	5,380	16	5,062	17
Food at home	1,875	11	3,122	12	3,956	12	3,619	12
Food away from home	864	5	1,063	4	1,424	4	1,443	5
Personal insurance and pensions	1,161	7	2,903	11	3,713	11	3,387	11
Life and other personal insurance	64	0.4	240	1	442	1	532	2
Pensions and Social Security	1,097	7	2,663	10	3,271	10	2,855	9
Apparel	1,009	6	1,330	5	1,856	6	1,518	5
Entertainment	852	5	1,416	5	1,767	5	1,552	5
Health care	405	2	956	4	1,348	4	1,634	5
Miscellaneous[1]	1,628	10	1,609	6	2,228	7	2,236	7

[1]Includes expenditures for personal care, reading, education, cash contributions, tobacco, alcohol, and other goods and services.

Older Baby Boomers. The 36-44 age group had a total average expenditure of $32,929 in 1990 (table 3). Housing was 32 percent of this age group's total expenditure. Shelter accounted for 62 percent of total housing. Older boomers spent a smaller share of their housing expenditures for shelter than did younger boomers. In later years, shelter expenditures decline as the interest portion of the homeowner's mortgage payment diminishes. Expenditures for shelter were followed by utilities, 20 percent; household furnishings and equipment, 12 percent; and household operations, 6 percent.

This group's transportation expenditure accounted for 19 percent of the total expenditure ($6,125). Forty-two percent of the transportation dollar was used on vehicle purchases. They had, on average, 2.3 vehicles. Total food expenditure was $5,380, or 16 percent of the total annual expenditure. As with younger boomers, about three-fourths of the total food expenditure was used for food at home.

Personal insurance and pensions accounted for 11 percent of this group's total expenditure ($3,713). On average, older baby boomers spent a little more for apparel ($1,856) than they did for entertainment ($1,767) and health care ($1,348).

Conclusions and Implications

The primary finding of this descriptive study was that younger and older boomers spent identical shares of their total expenditure for total food, food at home, food away from home, household operations, household furnishings and equipment, entertainment, transportation, and personal insurance and pensions. For other expenditure categories, the share spent by the two groups differed by 1 or 2 percentage points.

Younger and older baby boomers did differ by two socioeconomic characteristics—housing tenure and family structure. A higher percentage of older boomers were homeowners and could use a major asset—their home—to accrue equity and thus be more economically secure. Compared with younger boomers, older baby boomers were more likely to be married and be in families composed of a husband, wife, and children. The decision to have children later in the life cycle means successive life-cycle stages will be shifted to increasingly older parents—baby boomers may have certain expenditures later than has traditionally been the case. In addition to preparing for retirement, boomers may be paying for their children's college education, helping children to establish separate households, and assisting aging parents. Further study on delayed parenthood and baby boomers' retirement plans is warranted.

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Child-Care Trends

By Nancy E. Schwenk
Consumer Economist
Family Economics Research Group

The demand for child care in the United States is increasing. Most children of employed mothers are cared for in child-care centers or in family day-care homes. Since 1965, care by relatives and in-home care have declined. Children are being enrolled in child-care centers and in preschool educational programs at an earlier age. Some parents have solved the conflict between work and family by working at home or by working shifts that do not overlap with their spouse's work hours. According to Willer (*18*), low-income families (those earning less than $15,000 per year) spend as much as 23 percent of their income on child care. Some financial help is available to working parents. A growing number of employers offer child-care benefits to their employees. The Federal Government subsidizes the cost of meals and snacks at qualifying family day-care homes and child-care centers. Also, working parents can claim a credit for child-care expenses on their Federal income tax form. In the future, more parents are likely to work at home or engage in split-shift parenting, and more employers will be getting involved in the care of employees' children, to the benefit of all.

Women employed outside the home have become the norm. In 1990, the proportion of American children under the age of 18 with mothers in the labor force was 62 percent, up from 39 percent in 1970 (*18*). Over half of mothers with children under age 6 are in the labor force (*5*). By the year 2000, women are projected to represent 47.5 percent of the labor force and to account for nearly two-thirds of the new entrants into the labor force (*9*). In addition, annual births are almost 5 percent ahead of the Census Bureau's earlier high-fertility projections thus far in the 1990's. The number of preschool-age children is expected to peak at 20.2 million in 1994 (*2*). The potential demand for child care is substantial for this larger-than-expected age group.

No Supplemental Care

Although they were in the labor force, 37 percent of employed mothers used no supplemental care for their children ages 12 and under in 1990 (*18*). Many of these mothers worked at home or had work hours that did not overlap with their spouse's. The rate was lower for mothers of preschool children. Of employed mothers, 32 percent with children under age 3 and 21 percent with children ages 3-4 used no supplemental care. Of employed mothers of school-age children 5-12 years, 44 percent used no supplemental care. Either these parents could provide before- and after-school care for their children, or they allowed children to care for themselves.

Home-Based Workers

An increasing number of children are being cared for at home by parents who are employed at home, either as business owners or by an outside employer. Others are able to take work home from the job—a concept known as flexiplace (*8*). Parents who are home-based workers may be able to combine their work life with their home life, reduce conflicts between the two, and spend more time with their young children. Home-based workers represent a growing segment of the labor force, as the needs of young children have forced some parents to withdraw from employment outside the home.

To examine home-based workers, the NE-167 Regional Research Project was undertaken in 1989, with nine States and the U.S. Department of Agriculture participating (*3*).[1] The project defined a home-based worker as "a person age 18 or older who had worked 6 or more hours per week or a minimum of 312 hours during the previous 12 months," either in or from the home to earn income. Of the home-based workers in this study, three of four had their own business, such as contracting, repair work, home child care, or work involving arts or crafts. Of those paid by an outside employer, most were engaged in marketing or sales. Home-based business owners worked an average of 36 hours per week, compared with 39 hours for those paid by an employer.

Eighty-five percent of home-based workers in this study were married, 42 percent were female, 54 percent had children, and 28 percent had children under age 6 (*3*). Being able to "take care of family" was considered a main advantage of home-based work by 35 percent of business owners and by 28 percent of paid workers. The majority (83 percent) reported receiving "a lot" of satisfaction with home-based employment (*3*).

Working at home, however, is not always compatible with caring for young children. Many home-based workers must work when children are asleep or, even though they are at home, rely on other caregivers. Mothers who work as family day-care providers (40 percent of all women who work solely at home) avoid this incompatibility problem (*8*).

[1]The NE-167 Regional Research Project, "At-Home-Income-Generation: Impact on Management, Productivity, and Stability in Rural/Urban Families," was supported by the Agricultural Experiment Stations of Hawaii, Iowa, Michigan, Lincoln University (Missouri), New York, Ohio, Pennsylvania, Utah, and Vermont and the U.S. Department of Agriculture.

Child-Care Settings

- No Supplemental Care—parents provide all care for their children or use nonparental care only on an irregular basis.
- Relative Care—care is provided by a relative, such as a grandparent or aunt, in the child's home or the relative's home.
- In-Home Care—a nonrelative comes to the child's home to provide care.
- Family Day Care—care is provided in a caregiver's home for a small group of children.
- Child-Care Center—children are cared for in a group in a nonresidential setting for all or part of the day. Centers can be nonprofit or for profit, independent or chain members (*18*).

Source: Willer, B. et al. 1991. The demand and supply of child care in 1990. National Association for the Education of Young Children.

The great majority of family day-care homes are not regulated...

Split-Shift Parenting

Another solution to the conflict between work and family for some couples is split-shift parenting. By 1985, one in six dual-income couples with children under 6 years of age had work hours that did not overlap, enabling parents to take turns caring for children while their spouse worked (*7*). The standard work-week of five 8-hour days was the norm for only 46 percent of women and 42 percent of men in nonagricultural jobs. Of those parents with children under age 14, 24 percent of mothers and 30 percent of fathers worked on Saturdays and/or Sundays (*8*).

Men's attitudes toward caring for children are changing, with more men willing to place family ahead of work. According to a 1989 Robert Half International survey, 74 percent of men indicated they would rather have a "daddy track" job than a "fast-track" job (*7*). The growing diversity of work schedules results in greater paternal involvement in child care.

In addition, many couples find the cost of quality child care prohibitive. Although split-shift parenting can help financially, it may not be a satisfactory choice when a spouse works a rotating shift or when hours worked by spouses overlap (*8*).

The number of dual-income couples engaged in split-shift parenting is expected to increase. According to the Bureau of Labor Statistics' projections for job growth into the next decade, the largest absolute gains will be in service businesses that often require employment during nonstandard hours—evening and weekend work. Waiters and waitresses, registered nurses, janitors and cleaners, retail salespersons, and cashiers will be in particular demand (*8*).

Supplemental Care

Relative Care

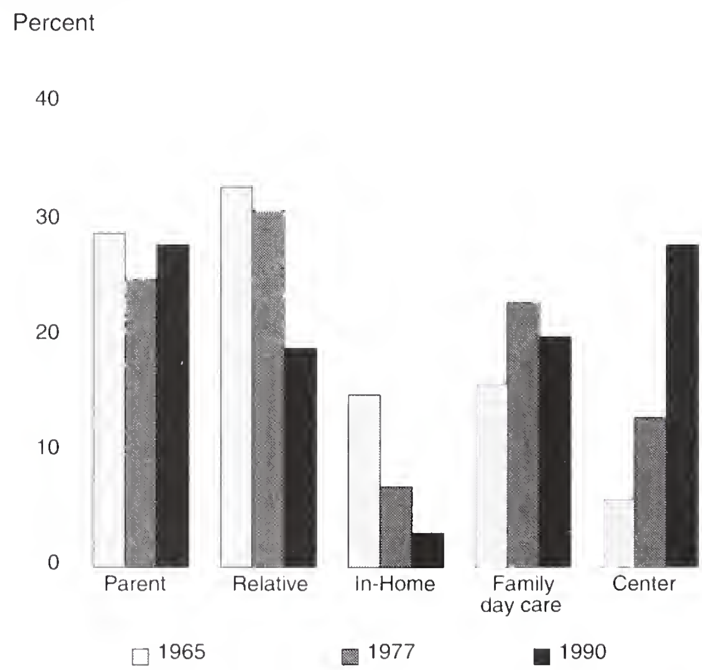
The overall growth in the labor force participation of women has resulted in a decline in the number of nonemployed female relatives available to care for children. In 1965, 33 percent of the youngest preschool-age children of employed mothers were cared for by a relative, compared with 19 percent in 1990 (*18*). On the other hand, relatives may be available to care for employed mothers' children if work hours do not overlap. For example, one-third of women who cared for their grandchildren were themselves employed (*8*).

Care by relatives is usually free or at low cost, with only two-fifths of relatives receiving cash payments (*8*). Some employed mothers may prefer to have relatives care for their children; others may use relatives because they have no affordable alternative. In most cases, relatives are likely to provide more loving care than a nonrelative (*8*).

In-Home Care

In-home care is the least-often used type of supplemental child care. Only 3 percent of the youngest preschool children of employed mothers were cared for in-home in 1990, compared with 15 percent in 1965 (*18*) (figure 1). The price of such care, which averaged $2.30 per hour for these children in 1990 (*18*), may be prohibitive to many families.

Figure 1. Child-care arrangements for youngest preschool child of employed mothers, 1965-90



Source: Willer, B. et al., 1991, The Demand and Supply of Child Care in 1990, National Association for the Education of Young Children.

Table 1. Child-care fees across the country by type of program, 1990

Area	Centers charging fees (percent)	Average fee of those programs charging fees only		
		Centers	Regulated family day care	Nonregulated family day care
Total U.S.	85	$1.59/hr	$1.64/hr	$1.48/hr
By region				
Northeast	85	2.18	2.02	1.83
South	88	1.29	1.32	0.89
Midwest	84	1.63	1.42	1.83
West	89	1.71	1.86	1.32
By community type				
Urban	86	1.78	1.74	1.74
Suburban	92	1.55	1.67	1.66
Rural	82	1.31	1.38	1.07

Source: Willer, B. et al., 1991, The Demand and Supply of Child Care in 1990, National Association for the Education of Young Children.

Family Day Care

Family day care can be either regulated or nonregulated. In 1990, there were about 118,000 regulated family day-care homes with capacity for 860,000 children (*5*). The great majority of family day-care homes are not regulated, however, since 36 States exempt homes serving less than four unrelated children from mandatory regulation (*18*). Estimates of the number of nonregulated family day-care homes range from 550,000 to 1.1 million (*18*).

The supply of regulated family day-care homes is relatively more concentrated in the Midwest and the West and less concentrated in the Northeast and the South. This reflects differences among States in the exemption of small family day-care providers from regulation (*5*).

A family day-care provider is often a mother with young children at home. Among employed mothers, 22 percent used family day care for infants and toddlers, 17 percent for 3- to 4-year-olds, and 7 percent for 5- to 12-year-olds (*18*). Twenty-five percent of regulated family day-care providers are sponsored by a local agency that organizes family day care, and about 50 percent of regulated providers network with other family day-care providers (*5*).

Of all regulated family day-care providers, 99 percent charged fees, which averaged $1.64 per hour in 1990. Of nonregulated family day-care providers, 77 percent charged fees, which averaged $1.48 per hour (*18*) (table 1).

Center Care

Since the mid-1970's, the number of center-care programs has tripled, and center enrollments have quadrupled (*5*). In 1990, 4 million preschool children were being cared for at about 80,000 early education and care centers. These center-care facilities were licensed to serve an additional 200,000 children (*18*).

Center-based programs are distributed across the country in approximate proportion to the preschool-age population. However, relatively more spaces are available in the South, and relatively fewer spaces are available in the West and in rural areas (*5*).

Nonprofit organizations sponsored 65 percent of early education and care centers in 1990 (*18*) (figure 2, p. 12). An average of 62 children were enrolled per program (table 2, p. 13). Smallest enrollments were in publicly sponsored programs, such as Head Start and public school programs, whereas for-profit chains had the largest enrollments.

The growing proportion of mothers of very young children who are employed has resulted in a shift toward caring for younger children in centers. The proportion of infants in center care increased from 1 to 4 percent between 1976 and 1990, while the proportion of children ages 1-2 increased from 3 to 5 percent (*18*).

Fees were charged by 85 percent of all centers in 1990, averaging $1.59 per hour. Publicly sponsored programs, such as Head Start (a free program) and public school programs, averaged $1.19 per hour, whereas independent nonprofit centers averaged $1.73 per hour (*18*). Fees were higher in urban areas than in rural areas, and higher in the Northeast and the West than in the South and the Midwest (*18*).

In 1990, the cost of child care (center care, family day care, or in-home care) for employed mothers of a preschool child averaged $63 per week, or 10 percent of income among mothers who paid for care (*18*). Families with incomes under $15,000 spent 23 percent of their income on child care, whereas families with incomes of at least $50,000 spent 6 percent (*18*) (figure 3).

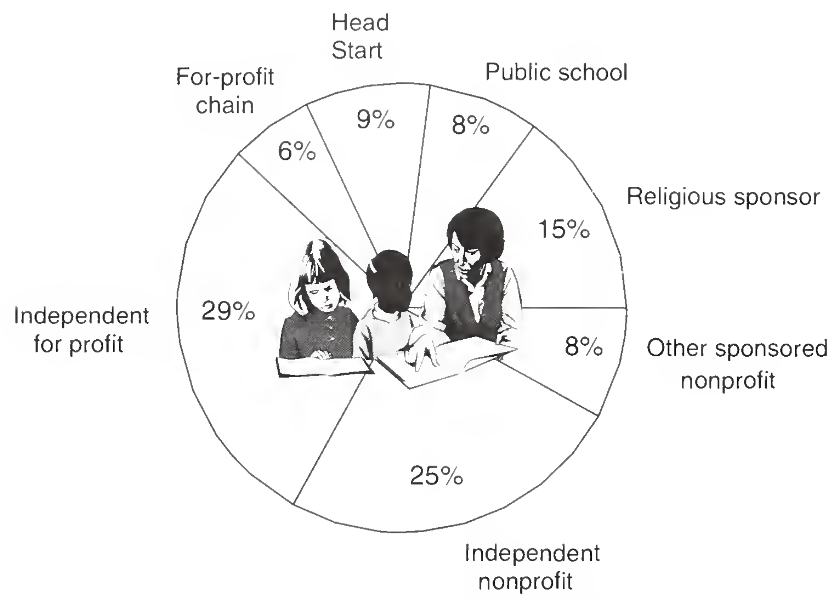
The educational attainment of center staff and regulated family day-care providers has increased greatly since the mid-1970's. The proportion of center teachers with at least a college degree increased from 29 percent in 1976-77 to 41 percent in 1990. Similarly, the average educational level of family day-care providers increased from high school to 1 year of college during the same period (*18*).

Public and Private Programs That Help With Child Care

Child and Adult Care Food Program

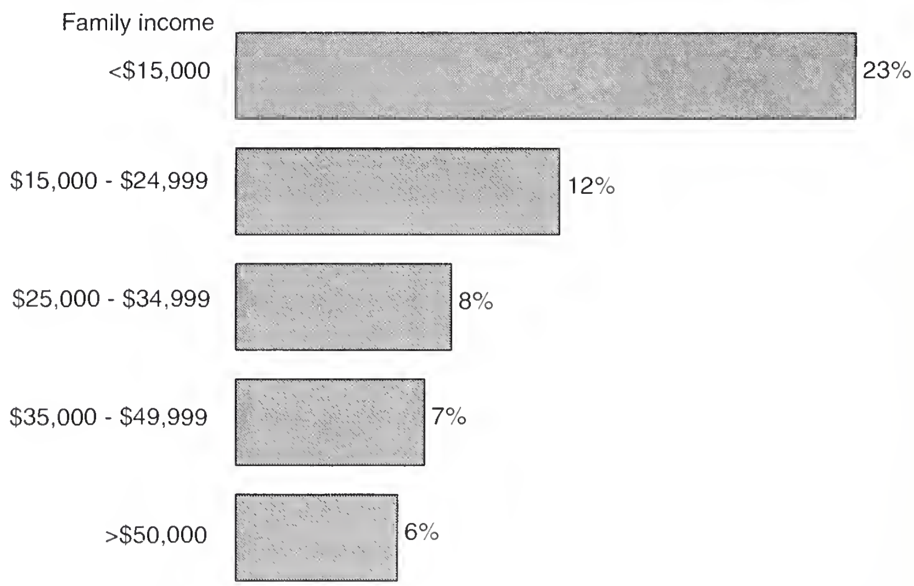
The Child and Adult Care Food Program (CACFP) was formerly known as the Special Food Service Program for Children and then as the Child Care Food Program. It is a Federal program established in 1968 to provide cash reimbursement and donated foods to help provide nutritious meals and snacks to children enrolled in

Figure 2. Sponsorship of early education and care centers serving preschoolers, 1990



Source: Willer, B. et al., 1991, The Demand and Supply of Child Care in 1990, National Association for the Education of Young Children.

Figure 3. Percentage of family income spent on child care[1] by family income, 1990



[1]Includes only families with employed mothers with youngest child under age 5 who pay for care.

Source: Willer, B. et al., 1991, The Demand and Supply of Child Care in 1990, National Association for the Education of Young Children.

Table 2. Profiles of early education and care settings, 1990

Program characteristic	Centers: Nonprofit: Head Start	Public school	Religious sponsor	Other sponsor	Inde-pendent	For profit: Chain	Inde-pendent	All centers	Family day care: Regulated	Non-regulated
Average number of children enrolled per program	50	58	73	58	63	91	67	62	6	3
					Average percentage					
Children ages 3 to 5 in relation to total enrollment	99	83	74	74	69	48	59	62	39	40
Children from families receiving public assistance	68	NA	5	30	10	6	8	17	5	13
Program income from public agencies	95	76	3	38	11	3	6	22	NA	NA
Teachers who have a college degree	45	88	50	52	49	31	35	47	11	15
Average annual teacher turnover rate	20	14	23	25	25	39	27	25	NA	NA

NA = Not applicable or not available.

Source: Willer, B. et al., 1991, The Demand and Supply of Child Care in 1990, National Association for the Education of Young Children.

nonresidential child-care centers and family day-care homes (*11*).[2] To participate in the program, family day-care homes must be licensed and operate under a sponsoring organization. Any public or private nonprofit day-care center can apply to the CACFP directly or through a sponsoring organization.

Children who are 12 years old or younger (or 15 years old or younger for migrant workers) are eligible to participate. Providers must serve meals that meet meal-pattern requirements specified in program regulations, and are reimbursed at different rates for each type of meal served. For example, as of July 1992, family day-care providers were reimbursed $.80 per breakfast served, $1.4525 per lunch or supper, and $.4325 per snack (*11*).

The CACFP is either administered by a State agency, usually the State Department of Education, or operated directly by USDA's Food and Nutrition Service (*11*). The program has grown from an average daily attendance of 138,400 children and total Federal cash reimbursement of $1.5 million in fiscal 1969 (table 3, p. 14) to an average daily attendance of 1,930,000 and total Federal cash reimbursement of $1,078.2 million in fiscal 1992 (*12*).

Preschool Programs

Many experts in the field of early childhood education believe that children are better prepared for elementary school if they have experienced some high-quality group care or preschool (*17*). Employed as well as unemployed mothers are enrolling their children in preschool educational programs at an increasingly early age. In 1965, only 5 percent of 3-year-olds and 16 percent of 4-year-olds were enrolled in a preschool educational program. In 1989, 27 percent of 3-year-olds and 51 percent of 4-year-olds were enrolled (*18*).

According to the Department of Education's 1991 National Household Education Survey, 71 percent of surveyed children had attended a center-based program (excluding kindergarten)—either a day-care center,

[2] In November 1987, Public Law 100-175 amended the National School Lunch Act to allow certain adult day-care centers to participate in the program.

Table 3. Child- and adult-care food program, 1969–90

Fiscal year	Average daily attendance[1] (in thousands)	Total Federal cash reimbursement (in millions)
1969	138.4	$ 1.5
1970	320.3	7.7
1975	457.1	48.8
1980	757.1	214.0
1985	1,144.7	385.6
1986	1,188.1	425.4
1987	1,292.0	479.5
1988	1,354.4	535.2
1989[2]	1,445.0	610.7
1990	1,615.7	715.6
1991	1,677.8	932.0
1992	1,930.0	1,078.2

[1]Average daily attendance for month in which greatest number of people participated.
[2]Public Law 100-175 allowed certain adult day-care centers to be eligible for assistance under the CACFP, beginning in fiscal 1989. No separate reimbursement breakout is available.

Source: U.S. Department of Agriculture, Food and Nutrition Service, SFS-2-69 – SFS-2a-75, CCFP-2-80 – CFP-2-88, and CACFP-2-89 – CACFP-2-90.

The Federal Child and Dependent Care Tax Credit ... provided $3.4 billion to families in fiscal year 1988.

a preschool, or both—before starting elementary school. The higher the educational attainment of the parents, the more likely a child was to have had a center-based experience. For example, of children whose parents had attended graduate or professional school, 84 percent had attended a day-care center or preschool, compared with only 47 percent of children whose parents had less than a high school education (*17*).

Child and Dependent Care Tax Credit

The Federal Child and Dependent Care Tax Credit is a major source of public assistance for child care. A parent who pays someone to care for a child while he or she (and spouse, if married) works or looks for work can qualify for a child-care credit on their Federal income tax return. The parent(s) must have earned income to claim this credit. Any dependent child under age 13 who lives in the same home with the parent(s) can be claimed. The parent must provide the name, address, Social Security number or employer identification number, and amount paid to each person or organization that provided care on an attachment to Form 1040. The maximum credit allowed in 1991 was $2,400 for one child and $4,800 for two or more children (*16*).

The credit provided $3.4 billion to families in fiscal year 1988. In general, as family income increases, the percentage of families claiming the tax credit increases. For the 1988 tax year, the credit was claimed by 22 percent of families with incomes under $15,000, compared with 37 percent of families with incomes of $50,000 or more (*18*).

Child Care as an Employee Benefit

The increasing presence of women in the labor force places pressure on employers to provide family-related benefits, such as parental leave, adoption benefits,[3] flextime,[4] and child care. Most employers in the United States do not actively participate in the care of employees' children. However, many employers are adjusting work schedules, providing benefit packages, and using recruitment efforts to publicize their programs and policies that benefit families. Employers offer family-related benefits to attract and retain quality employees, to increase productivity by reducing absenteeism and tardiness, and to reduce turnover rates, thus lowering costs of retraining and recruitment (*9*).

Employer-sponsored child-care options include the following:

- On-site or near-site child-care centers.
- Consortium centers—groups of employers share the cost and benefits of establishing and operating a child-care center.
- Resource and referral services for child care—counsel employees on how to find and judge quality care.
- Employee discounts with child-care providers.
- Voucher systems—companies subsidize a percentage of child-care costs at programs chosen by the parents.
- Before- and after-school care—support offered through public school or community agencies.
- Travel care—company provides reimbursements for child-care costs incurred by work-related travel (*15*).

Typically, large establishments are more likely than small ones to offer child-care benefits to their employees. The results of three recent employee surveys issued by the Bureau of Labor Statistics (BLS) show how employer size and type affect the likelihood of child care as a benefit. According to the 1988 survey of private-sector establishments with 100 or more employees, 4 percent of full-time employees were eligible for subsidized child care. This benefit was more frequently available to employees in service-producing (6 percent) and service establishments (9 percent) than to employees in goods-producing establishments (2 percent). Relatively few women are employed in goods-producing establishments (*1*).

The 1990 survey of establishments with fewer than 100 employees reveals that only 1 percent of employees, both full time and part time, were eligible for subsidized child care (*13*). According to the survey of State and local government employees, 9 percent of full-time employees were eligible for subsidized child care (*14*).

A more widespread method of helping employees with child-care expenses is through reimbursement accounts (also called flexible spending accounts) that provide funds from which employees pay for expenses not covered by their regular benefits package, such as child care (*13*). Money is taken out of the employee's paycheck on a pretax basis, thereby lowering the tax burden (*4*).

Reimbursement accounts are currently the most common method of providing assistance with child-care costs (*4*). Thirty-one percent of full-time employees covered in the 1990 Bureau of Labor Statistics survey of State and local government employees were eligible for such accounts (*14*), as were 23 percent of employees in medium and large establishments (*4*) and nearly 10 percent of employees in the small establishment survey. A greater proportion of white-collar than blue-collar workers were eligible in small establishments (*13*).

Child-Care Network

A group of U.S. companies, led by International Business Machines Corp., plans to invest millions of dollars to provide facilities to care for employees' children and elderly relatives (*6*). The project, which is expected to be fully implemented by the fall of 1993, will expand or construct dependent-care facilities, including elder care, child care, and after-school programs, in as many as 60 locations nationwide. The group, called the American Business Collaboration for Quality Dependent Care, consists of at least 40 major companies, including AT&T, American Express, Eastman Kodak, Johnson and Johnson, Exxon Corp., and Xerox Corp. The extent to which the companies would subsidize the costs of the facilities for their employees who use them and the ownership of the facilities have yet to be determined. Nevertheless, over 200 companies have participated in discussions on the project, and between 40 and 60 companies have signed letters of intent, pledging between $100,000 and $7 million.

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[3] Adoption benefits include direct financial assistance or reimbursement for expenses related to adoption and/or the provision of paid or unpaid leave for the adoptive parent (*9*).

[4] Flextime allows employees to vary the beginning and end of their workday. The number of hours worked per day or the total number of hours worked per pay period may vary, though most flextime plans require a core time each day (*9*).

Emergency Care

A major concern of working parents is how to provide child care when a child is mildly sick or when a child's regular caregiver is temporarily unavailable. American businesses lose an estimated $3 billion a year because of child-care-related employee absences (*10*). To address this concern, 14 companies in the New York City area founded Emergency Child Care Services in 1989. The companies use the services of Child Care, Inc., a nonprofit, private resource-and-referral agency, to provide emergency caregivers in employees' homes. Each participating company pays a $4,000 annual fee to Child Care, Inc., and a share of the caregiver's fee. Most of the companies pay the full amount ($11 to $13.25 per hour for in-home care) for 3 days, then 50 percent for the next 3 days.

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Training to Qualify for Jobs and Improve Skills

The number of workers who were trained to improve their job skills rose by 13 million from 1983 to 1991, according to a recent study undertaken by the Bureau of Labor Statistics. This article presents data collected in a supplement to the January 1991 Current Population Survey (CPS) on how workers get trained before they are hired and after they are on the job. If schools or formal company programs were used, further questions addressed the type of program, who paid for it, how long it lasted, and whether respondents completed their training.

Knowing how much and what kind of training employees need in order to qualify for their jobs can help workers decide how to prepare for a new occupation. Employers can use training information to evaluate their requirements for new employees or the type and amount of training they provide. Training specialists can use it to assess changes in their courses or to target specific groups of employees.

Workers who reported taking skill improvement training were divided into five categories, according to the type of training: (1) managerial or supervisory skills, (2) reading, writing, and math skills, (3) computer-related skills, (4) occupation-specific technical skills, and (5) other skills. For all occupational groups except administrative support and private household, occupation-specific technical training was the primary form of training for improving skills. Administrative support workers most often worked on improving computer skills. "Other" skills were the secondary training focus of service workers.

Twenty-six percent of 16- to 19-year-old employees said they needed training to get their jobs in 1991. This proportion increased steadily with age, peaking at 63 percent for workers ages 35 to 44 (see table, p. 18). Starting at age 55, the proportion of employees who said they needed training to get their jobs declined sharply, reaching 44 percent for those age 65 and over. At 56 percent, women needed training to qualify for their jobs about as often as men (57 percent). The more education workers have, the more they reported the need for specific training to get their jobs. The 53 percent of employees in private industry who reported they needed training to get their jobs was the smallest of the classes of workers, even though they made up by far the largest group. This is because a relatively large number of employees in private industry work in occupations that require the fewest skills and the least training. About 75 percent of State and local government workers, 66 percent of Federal Government workers, and 60 percent of the self-employed said they needed training. Other occupations that required training for a relatively large number of workers were technician and related support occupations (86 percent), and executive, administrative, and managerial occupations (72 percent).

Workers most frequently got training to qualify for their jobs in school (33 percent), through informal on-the-job training (27 percent), and through formal company programs (12 percent). Seven percent obtained training from a friend or relative or other experience unrelated to work; 2 percent from the Armed Forces; and 1 percent from correspondence courses. Relatively more women used school as the source of their needed training, and relatively more men used other methods.

The more schooling workers have, the more likely they will work in jobs that require training and the more likely their schoolwork qualified them for

Workers who needed training to qualify for their jobs or to improve their skills, and source of the training, by selected characteristics, 1991

Characteristic	Workers in group (percent)	Source of training (percent)[1] School	Formal company	Informal on-the-job	Other[2]
Age group					
16 and over	57	33	12	27	10
16 - 19	26	8	4	16	4
20 - 24	46	25	8	23	6
25 - 34	60	36	13	30	10
35 - 44	63	38	14	30	11
45 - 54	60	34	14	28	13
55 - 64	53	28	10	24	11
65 and over	44	23	6	17	13
Sex					
Male	57	31	14	29	15
Female	56	35	9	25	7
Race and ethnicity					
White	58	34	12	28	11
Black	47	24	12	20	8
All other races[3]	58	37	11	23	11
Hispanic origin[4]	41	17	8	20	8
Highest grade completed					
High school or less	41	12	10	25	10
Some college	63	36	16	32	13
College graduate	84	72	13	28	11
Occupational group					
Executive, administrative, and managerial	72	49	17	37	14
Professional specialty	92	83	11	25	11
Technical, related support	86	63	17	31	14
Sales occupations	43	17	13	26	9
Administrative support, clerical	55	32	10	30	6
Private household	10	4	1	3	4
Service, except private household	37	14	9	18	9
Farming, forestry, fishing	28	9	2	17	13
Precision production, craft, repair	62	19	19	36	19
Machine operators, assemblers, inspectors	38	8	8	25	6
Transportation, material movers	42	4	11	24	11
Handlers, equipment cleaners, laborers	20	2	3	14	4

[1]Percents may add to more than 100 because some workers identified more than one source of training.
[2]Examples of other sources are Armed Forces, correspondence courses, private lessons, reading professional journals, attending seminars or conventions, and hobbies.
[3]This category includes Asian-Pacific Islanders, American Indians, Eskimos and Aleuts, and other races.
[4]Hispanics may be Black, White, American Indian, or any other race.

Source: Amirault, T., 1992, Training to qualify for jobs and improve skills, 1991, Monthly Labor Review 115(9):31-36.

those jobs. Apart from school, however, it appears that workers with some college education used other sources of training in higher proportions than either college graduates or less educated workers. Private industry, government, and self-employed workers most frequently attended school to prepare for their jobs. The second most popular way to qualify for jobs was on-the-job training across all sectors.

Acquiring skills to qualify for jobs is one aspect of training; another is improving job skills. In January 1991, 46.8 million workers reported taking this additional training to improve their job skills. The proportion of all workers taking skill improvement training increased from 35 percent to 41 percent between 1983 and 1991—a much larger increase than in the proportions of those who needed training to qualify for their jobs. Most of the increase resulted from greater use of formal company training programs, which replaced on-the-job training as the most frequently used way workers were trained to improve their job skills.

Between 1983 and 1991, workers most likely to take skill improvement training were ages 35 to 64. Workers in these age groups tend to stay with the same employer longer and are most likely to provide the greatest return to a company investing in their skills. About 40 percent of men and women reported taking training; they also showed almost equal increases since 1983. Although workers in each racial and ethnic group received relatively more training for their jobs than in 1983, Whites continued to report the highest proportion (42 percent), followed by "other races" (38 percent), Blacks (34 percent), and Hispanics (28 percent).

Although the proportion of workers taking skill improvement training has increased since 1983 for all workers, the rate increased as they acquired additional education. Government workers were also most likely to say they had taken training to improve skills for their jobs. The percentages for Federal, State, and local government workers were each about 60 percent. While government employees accounted for 16 percent of all workers, they took 24 percent of the training. Relatively few self-employed people (34 percent) said they took skill improvement training. Workers in all sectors were more likely to have taken training to improve their skills in 1991 than in 1983.

The percentage of respondents who said they took training for their jobs ranged from 6 percent among private household workers to 67 percent among professional specialty workers. Physicians, engineers, and other technical specialists must keep developing their skills and knowledge or face obsolescence. A high percentage of workers in technician and related support occupations (59 percent) and executive, administrative, and managerial occupations (53 percent) also received training to improve their skills.

Unlike training to qualify for a job, employees who were trained in order to improve their job skills reported they used formal company programs (16 percent), informal on-the-job training (15 percent), and school (14 percent) with almost equal frequency. Only 7 percent reported they tried to improve their job skills by using "other" training methods. The proportion of workers taking skill improvement training from any source increased with age until the 35-to-44 age group, declined slightly in the 45-to-54 age group, and then dropped off sharply for workers older than 54. A similar proportion of men and women obtained training to improve their skills, but the source of training differed. Relatively more women used school, whereas men were more likely to participate in formal company programs. Among racial and ethnic groups, relatively more Whites used three of the four training sources—school programs, on-the-job training, and "other" sources—and tied with "other races" for the highest participation in formal company training. Informal on-the-job training was the most frequent form of training received by Blacks and Hispanics to improve job skills.

Just as more educated workers are most likely to have been trained for their jobs in school, they are also most likely to use school to improve their skills. Federal Government employees used formal company training most frequently (37 percent) and local government workers used school most often (33 percent). Almost equal proportions of the self-employed identified school and "other" methods (13 percent) of training to improve job skills. While not as frequent as formal company training, school was cited with about the same frequency as on-the-job training for executive, administrative, and managerial occupations, and technician and related support occupations. School, on-the-job training, and "other" methods were used almost equally in farming, forestry, and fishing occupations.

The rapid expansion in formal company training programs accounted for 40 percent of the increase between 1983 and 1991 in the number of workers who said they were trained for work. Training in formal company programs increased by 7.3 million to 18.0 million. The length of these formal company programs was also noticeably longer in 1991 compared with 1983.

Source: Amirault, T., 1992, Training to qualify for jobs and improve skills, 1991, *Monthly Labor Review* 115(9):31-36.

U.S. Workers Receive a Wide Range of Employee Benefits

In 1991, employer-provided benefits accounted for nearly 30 percent of compensation costs. The Bureau of Labor Statistics Employee Benefits Survey provides data on the incidence and details of benefit plans offered to employees. Established in 1979, the Employee Benefits Survey has expanded during the past decade to represent more components of the civilian nonfarm economy, including small private establishments, State and local governments, part-time employees, and other employees. Data on households and the Federal Government are not collected.

Data presented in this report are from surveys conducted in 1989 and 1990. About 65 million full-time private industry employees and 13 million State and local government employees are covered.

Medical Care and Life Insurance

Employer-provided medical care coverage has been the subject of considerable attention recently. Slightly more than 80 percent of full-time employees received medical care benefits at least partly financed by their employer during 1989-90 (see table).

Medical care benefits in private industry are provided to 80 percent of full-time employees, whereas dental care benefits are available to half of all full-time employees in this sector. Government employees have a higher incidence of these benefits. Among full-time State and local government employees, 93 percent have medical care benefits and 62 percent have dental care benefits provided by their employer.

In the private sector, coverage for medical care varies greatly by establishment size—that is, number of employees. In medium and large establishments, 9 of 10 employees receive medical care benefits from their employer; in small establishments (those with fewer than 100 employees), 7 of 10 employees have medical care benefits.

The incidence of life insurance varies little between the private and public sectors. Overall, 81 percent of all full-time employees have life insurance benefits. In the private sector, employees in larger establishments nearly always receive life insurance benefits, compared with two-thirds of employees in smaller establishments.

Leave Benefits

The most prevalent benefit provided by employers is paid leave. Nearly nine-tenths of full-time employees receive paid vacations and holidays. These benefits are most frequently provided to private sector workers, especially white-collar employees.

The incidence of paid holidays and vacations is lower in State and local governments, attributable mainly to the low incidence of such benefits among teachers. Teachers are typically employed and paid for a fixed number of days, such as 180 schooldays per year. This schedule eliminates vacation leave. State and local government employees, other than teachers, do receive vacations and holidays; two-thirds of them are provided vacation leave and three-quarters have paid holidays.

A benefit recently receiving attention throughout the United States relates to the time taken by employees for the birth or care of their children. Unpaid maternity leave is available to 31 percent of full-time employees, and unpaid paternity leave is available to 16 percent. Half of State and local government employees could receive unpaid maternity leave and one-third could receive unpaid paternity leave. Among private sector employees, unpaid maternity (27 percent) and paternity (13 percent) leave is less prevalent. Paid maternity or paternity leave is rarely provided for any public or private sector employee.

Retirement Plans

Retirement income is available from a variety of sources. For all private sector workers and many government workers, Social Security is available. In addition, two-thirds of all full-time employees receive retirement benefits beyond Social Security from their employer. The most popular retirement benefit is the defined benefit pension, which specifies a formula for calculating an employee's pension. Half of all full-time employees are offered this benefit. The defined contribution plan, which specifies the contribution an employer and an employee must make to the plan, is the next most popular retirement benefit, with 34 percent of all full-time employees participating.

New Benefits

Among new benefits emerging in the work force arena, flexible benefits plans have received considerable attention. Flexible benefits plans, also known as cafeteria plans, allow employees to choose among various benefits. Of employees surveyed, 1 of 20 are participants in a flexible benefits plan, which is most prevalent among private sector, white-collar employees.

Reimbursement accounts, which may be part of a flexible benefits plan or provided independently, allow employees to set aside pretax dollars to pay for particular benefits. Nearly 20 percent of all full-time employees have reimbursement accounts.

Source: Grossman, G.M., 1992, U.S. workers receive a wide range of employee benefits, *Monthly Labor Review* 115(9):36-38.

Percentage of full-time employees receiving selected benefits, 1989-90

Employee benefit program	All employees 1989-90	Private sector employees Total 1989-90	White-collar 1989-90	Blue-collar 1989-90	State and local government employees 1990
Paid					
Holidays	87	90	94	86	74
Vacations	88	93	96	89	67
Personal leave	20	16	22	10	39
Lunch period	9	9	6	12	11
Rest time	59	59	54	65	56
Funeral leave	65	65	71	59	63
Jury duty leave	76	72	80	64	94
Military leave	44	37	44	30	81
Sick leave	64	57	78	36	95
Maternity leave	2	3	3	2	1
Paternity leave	1	1	1	1	1
Unpaid					
Maternity leave	31	27	30	23	51
Paternity leave	16	13	14	11	33
Medical care	83	80	85	76	93
Employee coverage					
Wholly employer financed	46	44	43	45	58
Partly employer financed	36	37	42	31	35
Family coverage					
Wholly employer financed	28	27	25	29	32
Partly employer financed	55	54	60	47	60
Dental care	52	50	54	46	62
Employee coverage					
Wholly employer financed	33	30	30	29	51
Partly employer financed	19	20	24	16	11
Family coverage					
Wholly employer financed	25	22	21	23	38
Partly employer financed	27	28	33	23	25
Life insurance	81	79	84	73	88
Wholly employer financed	69	68	72	62	77
Partly employer financed	11	12	12	11	11
All retirement	68	62	66	58	96
Defined benefit pension	50	42	43	40	90
Wholly employer financed	37	40	41	38	23
Partly employer financed	13	2	2	2	67
Defined contribution	34	40	47	32	9
Flexible benefits plans	5	5	9	2	5
Reimbursement accounts	18	15	23	7	31

Source: Grossman, G.M., 1992, U.S. workers receive a wide range of employee benefits. Monthly Labor Review 115(9):36-39.

Saving and Demographics: Some International Comparisons

During the 1980's, the United States saved a much lower share of its aggregate income than did most other large, industrial countries. Differences in the age composition of countries' populations are partly responsible for differences in personal saving. Differences in government saving around the world reflect budget balances: surpluses in high-saving countries and deficits in low-saving countries. Because saving is the source of funds that finance investment in plant and equipment, structures, and housing, higher levels of saving mean increased productive capital, growing labor productivity, and a rising standard of living over time.

This article provides a comparison between the saving rates in the United States, West Germany, and Japan during the 1980's. Net national saving in West Germany, when measured as a share of GNP, was more than three times as large as in the United States (see table). In Japan, the share was six times that in the United States. Recent economic research suggests that projected demographic changes are likely to narrow this gap in saving rates as saving rates fall in Germany and Japan and rise in the United States.

Economic theory of saving behavior is used to explain how demographic factors affect household saving. The theory focuses on the five major reasons why people save: (1) to provide for their retirement; (2) to leave a bequest; (3) to bridge temporary declines in their incomes; (4) to finance unanticipated expenditures such as medical bills; and (5) to finance purchases of durable goods such as furniture and automobiles.

Saving and investment as a share of GNP (average for 1980's in percent)

Saving, investment	United States	West Germany	Japan
Net national saving	3.0	10.2	18.1
Household	3.8	7.8	11.0
Business	1.7	1.0	2.8
Government	–2.5	1.3	4.3
Net fixed investment	5.1	8.0	15.4

Source: Meyer, S.A., 1992, Savings and demographics: Some international comparisons, Business Review, Federal Reserve Bank of Philadelphia, March/April issue, pp. 13-23.

Real earnings usually are relatively low early in people's careers, peak shortly before retirement, and then fall substantially after retirement. Assuming that people prefer to spread their consumption of goods and services evenly over their lives and not have consumption fall sharply in retirement, it can be predicted that: younger families are likely to spend more than their incomes so, on average, their saving will be negative; middle-aged families will typically save a larger share of their rising earnings as they prepare for retirement and accumulate an estate; and families headed by retired people will likely save very little, and in many cases they will use savings for current consumption.

Surveys of consumer spending and finances in the United States yield results that are broadly consistent with this life-cycle pattern of earnings and saving. Surveys of saving behavior in Canada and Japan provide similar results. However, the simplest version of the life-cycle saving model does not explain all that is observed about family saving: some families save a small and relatively constant share of their incomes throughout their working years; many older families neither save nor consume savings; and those with substantial wealth typically continue to save.

More complex versions of the life-cycle saving pattern incorporate precautionary saving, Social Security, borrowing constraints, uncertainty about lifespans, and saving to accumulate an estate. Even in these more complicated models, age affects saving behavior.

Demographic factors are not the only determinants of household saving. People's saving is also affected by the tax treatment of saving and interest, the structure of Social Security and pension systems, the variability of incomes, the extent to which people can insure against unanticipated expenditures or income reductions, unanticipated changes in wealth, and the strength or weakness of the economy, among other factors. There is also evidence that household saving is affected by the size of government budget surpluses or deficits.

Although there is vigorous debate among economists about how much household saving is generated by each of the five major reasons for saving, there is broad agreement that the age composition of a country's population can affect the share of income that is saved. The life-cycle saving theory suggests that a high share of household income will be saved in a country that

has a large fraction of its population in the high-saving years (from age 45 to 64) and a small fraction in the low-saving or dissaving years (up to age 20 and beyond age 64).

The share of the U.S. population in the high-saving age group was appreciably lower than in West Germany and Japan in both 1980 and 1990. On average, 19 percent of the U.S. population was in the high-saving group—about 5 percentage points lower than in Japan and West Germany. Almost 42 percent of the U.S. population fell into the two low-saving age groups during the 1980's, about 3 percentage points higher than in West Germany and Japan. Demographic differences can account for roughly one-third of the gap in personal saving relative to GNP between West Germany and the United States and roughly two-thirds of the gap between Japan and the United States.

Demographers project that the share of the U.S. population in the high-saving years (from age 45 to 64) will rise by half from 1990 to 2010, as the baby-boom generation ages. The working-age segment of the population will grow as well. The segment of the U.S. population over the age of 64 is projected to be roughly constant during the next 20 years, and the share under the age of 20 is projected to decline. These demographic trends are likely to increase personal saving relative to GNP in the United States. Beyond 2010, however, the portion of the U.S. population over age 65 is projected to rise and that in the high-saving, peak-earning years is projected to gradually decline as baby boomers begin to enter the retirement years. Thus, the projected rise in national saving relative to GNP in the United States may prove temporary.

In contrast, the share of the population over age 64 is projected to rise by one-third in Germany and by two-thirds in Japan, whereas other segments of the population are projected to decrease. These projected changes in the age distribution of their populations are likely to lower personal saving relative to GNP in Germany and Japan. Beyond 2010, demographers project that the ratio of over-65 to working-age populations will continue to rise in Germany and Japan, although more gradually. The projected decline in national saving relative to GNP in those countries may prove long lasting.

Changing age distributions may affect government budget balances as well as private saving. As the number of people age 65 and over in Germany and Japan grows rapidly during the next 20 years, their governments' spending on medical care, pensions, social security systems, retirement housing, and other programs for the elderly is likely to grow rapidly, too. On the other hand, spending on education may decline as the number of children shrinks. In the United States, by contrast, the number of people age 65 and older is projected to grow slowly during the next 20 years. Over the same period, the working-age share of the population is projected to rise. These demographic shifts could reduce government spending in the United States by about 1.5 percent of GNP over the next 20 years.

Major industrial countries have reasonably accurate census data. As a result, demographers' projections of changes in the age composition of those countries' populations tend to be fairly accurate, even with uncertainty about future birthrates and average lifespans.

Source: Meyer, S.A.,1992, Saving and demographics: Some international comparisons, *Business Review, Federal Reserve Bank of Philadelphia*, March/April issue, pp. 13-23.

Fruit and Vegetable Consumption

U.S. consumption of fresh vegetables increased by 5 percent in the 1970's, then by 22 percent in the 1980's. According to the U.S. Department of Agriculture, this trend may illustrate an increasing concern about nutrition. Americans' consumption of all fruits—fresh and processed—also rose between 1970 and 1990. Since 1975, growth in consumer spending for fruits and vegetables has been exceeded only by that for poultry. U.S. consumers spent nearly $102 billion on fruits and vegetables in 1990, compared with $155 billion for all kinds of meat.

Americans' eating habits over the past two decades have led to the following changes in the fruit and vegetable market: numerous restaurants and supermarkets provide salad bars; fast-food restaurants have been offering tomatoes, onions, lettuce, and other fresh vegetables as condiments; there has been an improved selection and new varieties of fruits and vegetables; and more items have been eaten year round, boosting import demand. The growth in the produce industry is also attributed to the influx of Latin American and Asian immigrants, who are accustomed to vegetable-based diets, and to the rising popularity of ethnic restaurants, whose menus rely heavily on vegetables.

Retailers compete for customers by stocking produce departments with many different kinds of fruits and vegetables. Over the past 20 years, some retailers have expanded their produce selection from fewer than 100 selections to several hundred.

While consumption has been rising, the incomes of American households have been growing: between 1970 and 1990, household income rose an average 2.7 percent per year, after adjusting for inflation. More women (58 percent) were working outside the home. With more income and less time to prepare food at home, consumers began eating more meals away from home in 1990. About one-third of the average household food budget was spent on food away from home. Also, fresh produce requires minimal preparation.

Another major boost to the U.S. fruit and vegetable industry has come from rising exports. The United States' success as a produce exporter is attributed to three factors. Many foreign countries embraced the concept of a free market and attempted to promote competition by importing agricultural products, especially fruits and vegetables. Also, the United States promoted these products through advertising and marketing activities. Finally, the devaluation of the dollar in the mid-1980's benefited fruit and vegetable exports.

The U.S. produce industry has set a goal to double domestic consumption of fruits and vegetables by the year 2000. If the average consumer has five servings a day (as recommended by USDA), his or her current consumption will double. The industry may find it necessary to implement more sophisticated educational programs, targeting groups who have yet to alter their eating habits.

Source: U.S. Department of Agriculture, Economic Research Service, 1992, Americans are eating more fruits and vegetables, *Farmline* 13(7):8-13.

Recent Legislation Affecting Families

Public Law 102-367 (enacted September 7, 1992)—the Job Training Reform Amendments of 1992 amends the Job Training Partnership Act to improve the delivery of services to hard-to-serve youth and adults, such as those who are disadvantaged or disabled, long-term unemployed people, and school dropouts. A new program provides educational and training services to disadvantaged youth. Incentives paid to States to provide training services to absent spouses of children receiving Aid to Families With Dependent Children (AFDC) benefits should reduce welfare costs and promote self-sufficiency.

Public Law 102-405 (enacted October 9, 1992)—the Veterans' Medical Programs Amendments of 1992 improves the provision of health care and other services to veterans by the Department of Veterans Affairs. The law establishes a program for veterans of the Persian Gulf War and their families who are in need of family and marriage counseling. The Department of Veterans Affairs will increase efforts to help homeless veterans, and veterans whose disabilities require structural modifications to their homes will be eligible to receive increased payments.

Public Law 102-411 (enacted October 14, 1992)—the EEOC Education, Technical Assistance, and Training Revolving Fund Act of 1992 amends Title VII of the Civil Rights Act of 1964 to establish a revolving fund for use by the Equal Employment Opportunity Commission to cover the costs of providing education, technical assistance, and training related to the laws administered by the Commission. Monies in the fund will be available without fiscal year limitation to the Commission for such purposes.

Public Law 102-476 (enacted October 23, 1992)—the Scientific and Advanced-Technology Act of 1992 establishes a national advanced technician training program, using the resources of the Nation's 2-year associate-degree-granting colleges to expand the pool of skilled technicians in strategic advanced-technology fields, to increase the productivity of the Nation's industries, and to improve the competitiveness of the United States in international trade. The law will improve science and technical education at associate-degree-granting colleges and improve secondary school and postsecondary curricula in mathematics and science.

Public Law 102-512 (enacted October 24, 1992)—the Homeless Children's Assistance Act of 1992 amends the National School Lunch Act and the Child Nutrition Act of 1966 to better assist children in homeless shelters. The law will improve competition among infant formula manufacturers and reduce the per unit costs of infant formula for the special supplemental food program for women, infants, and children (WIC).

Public Law 102-515 (enacted October 24, 1992)—the Cancer Registries Amendment Act authorizes the Government to make grants to each State to establish and/or upgrade a population-based cancer registry. Cancer data to be collected will include demographic information, industrial or occupational history, administrative information including date of diagnosis and source of information, pathological data, and other pertinent information. A study will be conducted to determine the causes of an increased occurrence of breast cancer on the East Coast of the United States.

Charts From Federal Data Sources

States with the 10 highest numbers of people age 65+, 1990

Source: Taeuber, C.M., 1992, Sixty-five plus in America, Current Population Reports, Special Studies, P23-178, U.S. Department of Commerce, Bureau of the Census,

States with the 10 highest percentages of age 65+ population, 1991

Source: U.S. Department of Commerce, Bureau of the Census, 1992, Statistical Abstract of the United States: 1992, [112th ed.]

States with the 10 highest numbers of people age 65+ in poverty, 1990

Source: U.S. Department of Commerce, Bureau of the Census, unpublished data.

States with the 10 highest poverty rates for people age 65+, 1990

Source: U.S. Department of Commerce, Bureau of the Census, unpublished data.

Data Sources

Survey of Income and Program Participation (SIPP)

Sponsoring agency: U.S. Department of Commerce

Population covered: Noninstitutionalized U.S. population

Sample size: 28,500 households

Geographic distribution: Nationwide

Years data collected: Began in October 1983. New panel started each January since 1985.

Method of data collection: Personal interviews once every 4 months for 2-1/2 years (8 times total). Telephone followups were conducted for missing information.

Future surveys planned: A new panel is started each January.

Major variables: Social and demographic characteristics, household information, labor force activity, type and amount of income, participation status in various programs, attendance in postsecondary schools, private health insurance coverage, public subsidized rental housing, low-income energy assistance, and school breakfast and lunch participation. Each year additional supplements are covered including topics such as: child-care arrangements, child-support agreements, support for nonhousehold members, long-term care, pension plan coverage, housing costs, and energy usage.

Publications: Research based on SIPP is published in numerous research journals. Additionally, findings from the survey are reported in the P-70 Series of Census Bureau publications and other Census Bureau publications.

Sources for further information and data:
For information contact:
SIPP Branch
Statistical Methods Division
Bureau of the Census
Washington, DC 20233
(301) 763-7944

Microdata files may be ordered from:
Customer Services
Data User Services Division
Bureau of the Census
Washington, DC 20233
(301) 763-4100

Survey of Consumer Attitudes and Behavior

Sponsoring agency: Survey Research Center, University of Michigan

Population covered: U.S. adult population

Sample size: 500 sampled per month

Geographic distribution: Nationwide

Years data collected: Began in late 1940's; conducted quarterly through 1977, and monthly thereafter.

Method of data collection: Telephone interviews

Future surveys planned: Ongoing

Major variables: Evaluations and expectations about personal finances, employment, price changes, and the national business situation; buying intentions for automobile; and appraisal of present market condition for purchasing houses, automobiles, and other durables.

Sources for further information and data:
Data files and information are available from:
Survey Research Center
University of Michigan
Ann Arbor, MI 48106
(313) 764-8365
or
Inter-University Consortium for Political and Social Research
P.O. Box 1248
Ann Arbor, MI 48106
(313) 763-5010

Journal Abstracts and Book Summary

The following journal abstracts are reprinted verbatim as they appear in the cited source.

Donnelly, D. and Finkelhor, D. 1993. Who has joint custody? Class differences in the determination of custody arrangements. ***Family Relations*** **42(*1*):57-60.**

This article reports the incidence and predictors of joint custody based on a nationally representative sample. Although joint custody has captured much attention, its incidence actually remains low. A logistic regression model shows that those with higher incomes and educational levels, those living in larger cities, and nonwhites are more likely to have joint custody. These class differences suggest that policymakers use caution in establishing systems that strongly mandate or prefer joint custody.

Hong, G-S. and Wellen, P.D. 1993. Welfare use: Implications for teen mothers' education. ***Home Economics Research Journal*** **21(*3*):247-260.**

This study examines the role of welfare benefits in retaining teenage mothers in educational programs. Using data from the 1985 Survey of Income Program Participation, 212 mothers, aged 15 through 21 years, who have one or more children were studied. The findings show that receiving AFDC and WIC benefits, living with parents, and public expenditure on education per pupil in the state positively influence teen mothers' education. Receiving food stamps is negatively associated with the educational attainment of teenage mothers.

Kolodinsky, J. 1992. Money-off coupons and the consumer: are they worth the effort? ***Journal of Consumer Studies and Home Economics*** **16(*4*):389-398.**

Is the use of coupons a worthwhile practice for consumers? What defines a cost-effective money-off coupon user? In this study, the time cost of clipping and organizing grocery coupons is compared to actual savings received. Forty per cent of consumers did not reap savings at least equal to their time cost of coupon clipping. Cost-ineffective consumers are identified and compared to the cost-effective group on several demographic and shopping characteristics. Differences are discussed in relation to consumer economics and super-shopper role models.

Pett, M.A., Lang, N., and Gander, A. 1992. Late-life divorce: Its impact on family rituals. ***Journal of Family Issues*** **13(*4*):526-552.**

The impact of late-life divorce on family rituals has not been systematically explored. The purpose of this study was to examine the perceived changes in specific family celebrations, traditions, important life cycle events, and day-to-day family contact that occurred for a group of 115 adult children (73 females and 42 males) whose parents had divorced after a long-term marriage. A strong positive correlation was found between perceived disruptiveness of the parental divorce and changes in family rituals, particularly at Thanksgiving and Christmas. The role of women as kinkeepers, sibling differences, and the implications of evolving family ritual activities for theory development, research, assessment, and intervention are explored.

Bryant, W.K., Zick, C.D., and Kim, H. 1992. ***The Dollar Value of Household Work.*** **Cornell University.**

This publication presents up-to-date estimates of the dollar value of household work performed in U.S. families using three different valuation techniques. The estimates are based on 1981 time-use data and 1988 data concerning the dollar value of time per hour.

Estimates of time spent in household work by men and women in two-spouse families, the hourly value of household work, and the annual dollar value of household work by demographic characteristics are provided.

Results indicate that the dollar value of household work done by married women and men in this country is substantial, yet there has been a downward trend in this value during the past 10 to 15 years. As women have increased their labor force participation, they have tended to decrease the time they spend in household work. Husbands appear to have increased their household work time but not by enough to offset women's reduced hours.

A popular bulletin entitled "Household Work: What's It Worth and Why" was prepared for extension education.

Cost of Food at Home

Cost of food at home estimated for food plans at four cost levels, March 1993, U.S. average[1]

Sex–age group	Cost for 1 week: Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan	Cost for 1 month: Thrifty plan	Low-cost plan	Moderate-cost plan	Liberal plan
FAMILIES								
Family of 2:[2]								
20 - 50 years	$50.50	$63.80	$78.70	$98.00	$218.90	$276.50	$340.70	$424.40
51 years and over	47.70	61.30	75.60	90.40	207.10	265.60	327.50	392.00
Family of 4:								
Couple, 20 - 50 years and children—								
1 - 2 and 3 - 5 years	73.50	91.80	112.20	138.00	318.40	398.10	486.00	597.90
6 - 8 and 9 - 11 years	84.10	107.80	134.80	162.50	364.50	467.50	584.10	704.10
INDIVIDUALS[3]								
Child:								
1 - 2 years	13.30	16.20	19.00	22.90	57.60	70.30	82.10	99.40
3 - 5 years	14.30	17.60	21.70	26.00	61.80	76.40	94.20	112.70
6 - 8 years	17.40	23.30	29.20	34.00	75.50	101.10	126.50	147.50
9 - 11 years	20.80	26.50	34.10	39.40	90.00	115.00	147.90	170.80
Male:								
12 - 14 years	21.60	30.10	37.50	44.10	93.70	130.20	162.60	190.90
15 - 19 years	22.40	31.00	38.60	44.70	97.00	134.50	167.40	193.80
20 - 50 years	24.10	30.90	38.50	46.70	104.40	133.80	166.80	202.30
51 years and over	21.80	29.30	36.10	43.30	94.60	127.10	156.50	187.70
Female:								
12 - 19 years	21.70	26.00	31.60	38.30	94.20	112.90	137.10	165.80
20 - 50 years	21.80	27.10	33.00	42.40	94.60	117.60	142.90	183.50
51 years and over	21.60	26.40	32.60	38.90	93.70	114.40	141.20	168.70

[1]Assumes that food for all meals and snacks is purchased at the store and prepared at home. Estimates for the thrifty food plan were computed from quantities of foods published in *Family Economics Review* 1984(*1*). Estimates for the other plans were computed from quantities of foods published in *Family Economics Review* 1983(*2*). The costs of the food plans are estimated by updating prices paid by households surveyed in 1977–78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics, *CPI Detailed Report*, table 4, to estimate the costs for the food plans.

[2]Ten percent added for family size adjustment. See footnote 3.

[3]The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person—add 20 percent; 2-person—add 10 percent; 3-person—add 5 percent; 5- or 6-person—subtract 5 percent; 7- or more-person—subtract 10 percent.

Consumer Prices

Consumer Price Index for all urban consumers [1982-84 = 100]

Group	Unadjusted indexes			
	March 1993	February 1993	January 1993	March 1992
All items	143.6	143.1	142.6	139.3
Food	140.1	139.9	139.8	138.1
Food at home	139.4	139.1	139.1	137.5
Food away from home	142.4	142.2	142.0	140.1
Housing	140.2	139.7	139.3	136.6
Shelter	154.8	154.4	153.7	150.4
Renters' costs[1]	165.2	164.4	162.5	161.2
Homeowners' costs[1]	158.7	158.5	158.2	154.1
Household insurance[1]	144.9	144.7	144.1	141.0
Maintenance and repairs	131.5	130.5	129.7	128.4
Maintenance and repair services	135.8	135.2	135.1	132.0
Maintenance and repair commodities	125.8	124.0	122.5	123.5
Fuel and other utilities	119.5	118.4	119.2	115.8
Fuel oil and other household fuel commodities	92.8	92.5	92.3	90.5
Gas (piped) and electricity	115.1	113.8	115.9	111.5
Household furnishings and operation	118.7	118.6	118.2	117.7
Housefurnishings	109.3	108.9	108.6	109.4
Housekeeping supplies	129.6	130.6	130.0	128.6
Housekeeping services	134.6	134.5	134.1	130.3
Apparel and upkeep	136.2	133.4	129.7	133.4
Apparel commodities	133.9	130.9	126.8	131.2
Men's and boys' apparel	128.7	126.5	124.2	127.4
Women's and girls' apparel	138.4	133.1	125.7	133.6
Infants' and toddlers' apparel	125.9	127.0	127.9	127.1
Footwear	126.3	125.2	124.4	124.9
Apparel services	150.6	150.2	149.7	146.6
Transportation	129.0	129.2	129.1	124.4
Private transportation	126.3	126.2	126.6	122.2
New vehicles	132.0	132.0	131.8	129.1
Used cars	126.6	126.0	127.4	115.7
Motor fuel	97.3	98.0	98.6	93.4
Automobile maintenance and repair	144.7	144.3	143.4	140.3
Other private transportation	156.3	156.8	156.5	152.2
Other private transportation commodities	103.9	104.5	105.0	105.2
Other private transportation services	168.3	168.8	168.2	162.8
Public transportation	163.5	164.1	161.6	153.5
Medical care	198.6	198.0	196.4	187.3
Medical care commodities	193.9	193.2	191.8	186.7
Medical care services	199.7	199.1	197.5	187.4
Professional medical services	182.3	181.7	180.7	173.4
Entertainment	144.8	144.5	144.3	141.2
Entertainment commodities	133.1	132.9	132.8	130.7
Entertainment services	159.0	158.7	158.4	154.3
Other goods and services	192.0	191.5	191.0	179.8
Personal care	140.7	139.6	139.8	137.9
Toilet goods and personal care appliances	138.4	137.0	137.7	136.1
Personal care services	142.9	142.2	141.9	139.6
Personal and educational expenses	206.3	206.0	205.4	193.5
School books and supplies	195.7	195.6	195.5	188.6
Personal and educational services	207.3	207.0	206.4	194.0

[1]Indexes on a December 1982 = 100 base.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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Highlights

Boomers' Expenditures

Child-Care Trends